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E.O. 12958: N/A
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SUBJECT: EGYPT'S ECONOMY: WEEKLY PRESS ROUND-UP

¶1. The following is a summary of notable economic news stories as they appeared over the past week in the Egyptian press.

REF: CAIRO 209

Energy Sector

¶2. On March 5, Minister of Petroleum Sameh Fahmy spoke to the Canada-Egypt Business Council about the impact of the global economic crisis on the energy sector in Egypt. He predicted that the larger oil companies would suffer more than mid-sized firms, and that there would be a slowdown in deep marine gas fields due to the higher cost involved in developing off-shore. According to Fahmy, global natural gas production is likely to slow down in 2009, but eventually prices will recover. He also pointed out that current prices have eased the impact of Egypt's domestic energy subsidies on the GOE budget.

¶3. The cabinet formed a committee of government officials from ministries represented in the board of the Egyptian General Petroleum Corporation (EGPC) (reftel) and a number of external technical experts to determine the responsibilities of the proposed independent regulatory agency for oil and natural gas. The committee includes representatives of the petroleum, finance, trade, investment and economic development ministries. The new regulator is expected to oversee all elements of the related to oil and natural gas business. It reportedly will also facilitate liberalization of transport and distribution of oil and gas. It will also be responsible for avoiding any monopoly in the natural gas and oil sector. It is not yet clear if the regulator will report to the Prime Minister or whether Minister Fahmy will maintain some oversight role. (Al Masry Al Youm, March 5)

Water Resources

¶4. On March 11, the government announced the appointment of Mohamed Nasr El Din Allam as Minister of Water Resources and Irrigation, replacing Mahmoud Abu Zeid. Initial press reports were that Abu Zeid was resigning for health reasons. Now the media is speculating that President Mubarak was annoyed at Abu Zeid's failure to respond to criticism of GOE water usage policies by the Ethiopian delegation during recent meetings of the Eastern Nile Council of Ministers, under the Nile Basin Initiative.

¶5. Bio note: The newly-appointed Minister of Water Resources and Irrigation, Mohamed Nasr El Din Allam, has until now been the chairman of the Irrigation and Hydraulics Engineering Department at Cairo University. He received his PhD in the early 1980s from the Massachusetts Institute of Technology (MIT), and worked for USAID in Egypt from 1990-1993. He is the first Minister of Water Resources and Irrigation to come from academia, rather than the ministry or the Water Research Center. (Al Masry Al Youm, March 12)

Cotton

¶6. Press reports indicate that Egypt's cotton production fell fifty percent this past year as the area of land under cotton cultivation

went from 583,000 acres in the 2007/2008 season to 313,000 acres in 2008/2009. The drop in production has resulted in significant price increases for domestically grown cotton. Several business groups in the cotton industry are calling on the government to subsidize Egyptian cotton at the rate of LE150 (US\$ 27) per kantar (equivalent to 157 kg of seed cotton) within the framework of the GOE's announced plan to subsidize cotton and impose a temporary ban on imports. The world demand for Egyptian cotton is expected to decline by approximately 6% in the 2008/2009 season compared to the previous one. (Al Masry Al Youm, March 9)

17. The textile industry, however, is complaining that cotton prices are too high. The industry-sponsored Spinning and Weaving Council has asked Minister of Agriculture Abaza to allow cotton imports from East Asia, arguing that Asian cotton was cheaper than Egyptian cotton. Press reports indicated that government-owned factories are feeling the effects of the recession, and that the Egyptian textile producers need access to cheaper Asian cotton to stay competitive. The industry expects textile exports will fall this year. (Al Mal, March 10)

Egypt Criticized for New Textile Duties

18. According to media reports, the Indian government has asked Egypt to remove additional duties recently imposed by Egypt on Indian cotton textile imports, or pay suitable compensation. One senior Egyptian government official told reporters that if India and Egypt are not able to reach agreement on the new duties, India could take the case to the WTO. With the global downturn reducing the demand for most goods, countries are resorting to various protectionist measures to check imports. Egypt recently raised duties on cotton textiles from India to 30%, compared to the previous rate of 15%. (Daily News, March ())

Real Estate Tax Delayed

19. Minister of Finance Boutros Ghali has announced that due to the continuing impact of the economic crisis, implementation of real estate tax reforms will be delayed until January 2010. In the meantime, he said, the government does not plan any new taxes. (Al Ahram, March 9)
SCOBey

Rashid: No Anti-Dumping Fee on Imported Steel

Despite press reports of industry pressure, Minister of Trade and Industry Rashid said the government would not impose anti-dumping fees on imported steel, mainly from Turkey. Rashid described the current market situation as "honest competition" between local and imported steel, and said that lower steel prices would benefit consumers. He denied reports that Egyptian manufacturers had officially requested the imposition of anti-dumping fees. (Al Masry Al Youm, March 6).
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